

Message Text

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FM AMEMBASSY ATHENS

TO SECSTATE WASHDC 3063

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E.O. 11652: N/A

TAGS: EFIN, GR

SUBJ: REQUEST FOR INFORMATION ON GREEK REGULATION OF FOREIGN BANKS

REF: STATE A-1911

1. DISCRIMINATION VS FOREIGN BANKS IN GREECE. IN GENERAL GREEK LAWS, REGULATIONS AND PRACTICES REGARDING BANKING DO NOT PLACE US BANKS AT COMPETITIVE DISADVANTAGE VIS-A-VIS LOCAL OR THIRD-COUNTRY BANKS. UNDER BASIC REQUIREMENTS FOR ESTABLISHMENT OF A NEW BANK IN GREECE SPELLED OUT BY THE CURRENCY COMMITTEE OF THE BANK OF GREECE ON MARCH 3, 1965, FOREIGN PARTICIPATION IN THE EQUITY OF NEW BANKS CANNOT EXCEED 40 PERCENT. THUS FOREIGN PARTICIPATION IN LOCAL BANKING HAS REMAINED LARGELY (BUT NOT ENTIRELY) CONFINED TO BRANCH BANKING. PARAGRAPH 7 OUTLINES REGULATIONS PERTAINING TO ESTABLISHMENT OF FOREIGN BANK BRANCHES IN GREECE, WHICH IS MAIN DISTINCTION IN TREATMENT FOREIGN BANKS. THE BANKING SYSTEM IS HIGHLY REGULATED, BUT DONE IN GENERAL WITHOUT DISCRIMINATION AGAINST FOREIGN ESTABLISHMENTS. AUTHORITIES ARE VERY ACCESSIBLE AND RESPONSIVE TO AMERICAN BANKING COMMUNITY. FOREIGN BANKS ACCOUNT FOR AN ESTIMATED EIGHT PERCENT OF TOTAL LOCAL BANKING BUSINESS AT PRESENT.

2. DISCRIMINATION IN CONSUMER BANKING, SECURITIES BUSINESS, ETC. PARTICIPATION IN CONSUMER FINANCING, SECURITIES BUSINESS, LEASING, ETC., IS VERY LIMITED, AND ON NON-DISCRIMINATORY BASIS. ENFORCED
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RATE STRUCTURES AND SEVERE LIMITS ON CONSUMER-TYPE LOANS MILITATE

AGAINST BANK PARTICIPATION INSTALLMENT BUYING (FOR BOTH LOCAL AND FOREIGN BANKS). TWO LOCAL BANKS (NATIONAL BANK OF GREECE AND COMMERCIAL BANK) HAVE ESTABLISHED OWN CREDIT CARDS, BUT SUBSEQUENTLY APPLIED CREDIT RESTRICTIONS WHICH ARE INTEGRAL PART OF GOVERNMENT'S ANTI-INFLATION PROGRAM HAS PUT LID ON GRANTING OF ADDITIONAL APPROVALS FOR PRESENT. (EMBASSY NOT AWARE OF ANY FEELING AMONG AMERICAN BANKERS THAT BLOCK BEING USED PRIMARILY OR DELIBERATELY TO DISCRIMINATE AGAINST FOREIGN BANKS).

3. INDIRECT CONTROLS. VERY FEW INDIRECT CONTROLS ARE USED BY GOG TO DISCRIMINATE VS FOREIGN BANKS. REGULATIONS ON INTRODUCTION FOREIGN STAFF ARE VERY LIBERAL. NO DISCRIMINATORY REGULATIONS EXIST WITH RESPECT TO METHODS OF PUBLICITY. FOREIGN BANKS EVEN HAVE ACCESS TO BANK OF GREECE DISCOUNT WINDOW ON SAME BASIS AS LOCAL BANKS. ONE AREA IN WHICH SOME INFORMAL DISCRIMINATION APPARENT VS FOREIGN BANKS IS IN LOCATION. CURRENCY COMMITTEE OF BANK OF GREECE WHICH MUST APPROVE ESTABLISHMENT OF ALL FOREIGN BRANCHES (SEE BELOW) HAS SHOWN RELUCTANCE TO TAKE ANY FORMAL DECISION ON ESTABLISHMENT OF FOREIGN BANK BRANCHES OUTSIDE OF ATHENS, PIRAEUS OR THESSALONIKI. AT LEAST TWO US BANKS HAVE SHOWN INTEREST IN OTHER PRVINCIAL CITIES, BUT AUTHORITIES HAVE DISCOURAGED THEM WITHOUT FORMALLY DISAPPROVING. AT PRESENT THIS IS NOT A BURNING ISSUE SINCE ATHENS-PIRAEUS AREA AND THESSALONIKI DOMINATE COUNTRY IN TERMS TOTAL POPULATION AND ECONOMIC POWER, BUT MAY ASSUME GREATER IMPORTANCE IN FUTURE.

4. RECIPROCITY AGREEMENTS. NO FORMAL OR INFORMAL RECIPROCITY REQUIREMENTS FOR ENTRY OF FOREIGN BANKS EXIST.

5. LOCAL CONTROLS. SINCE BANKING SYSTEM IS REGULATED AT THE NATIONAL LEVEL QUESTION OF LOCAL CONTROLS NOT RELEVANT.

6. PERTINENT LEGISLATION. COMPULSORY LAW 1665/51 PROVIDES BASIC GROUND RULES FOR FUNCTION AND CONTROL OF COMMERCIAL BANKS. LEGISLATIVE DECREE 1562/11 (6/2/70) COVERS CONDITIONS FOR APPROVAL AND ESTABLISHMENT OF FOREIGN BANK BRANCHES.

7. ESTABLISHMENT OF BRANCHES BY FOREIGN BANKS. ESTABLISHMENT OF EACH BRANCH IS SUBJECT TO PRIOR APPROVAL BY CURRENCY COMMITTEE OF BANK OF GREECE. ON DECEMBER 13, 1973, CURRENCY COMMITTEE

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INCREASED TO D10 MILLION (FROM \$5 MILLION) THE FREE FOREIGN EXCHANGE WHICH FOREIGN BANKS MUST DEPOSIT WITH BANK OF GREECE OR USE FOR LONG-TERM (OVER FIVE YEARS) FINANCING OF THE PUBLIC OR PRIVATE INDUSTRIAL SECTOR FOR EACH NEW BRANCH ESTABLISHED. FUNDING LEVEL MUST BE MAINTAINED FOR LIFE OF BRANCH. CREDITS EXTENDED MAY NOT EXCEED FOUR TIMES THE FOREIGN EXCHANGE BASE OF THE BANK. AMERICAN BANKERS DO NOT SEEM TO REGARD EITHER THE BASIC GROUND RULES OR THE RECENT DOUBLING OF THE FOREIGN EXCHANGE BASE AS PARTICULARLY ONEROUS

(TWO US BANKS HAVE ALREADY OBTAINED APPROVALS UNDER THE
DECEMBER 1973 CONDITIONS).
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